

RICHMOND, VA OFFICE

Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
Richmond Employment	679.5k	686.2k	▲
Richmond Unemployment	3.0%	3.0%	▲
U.S. Unemployment	3.8%	3.7%	▲

Source: BLS, Moody's Analytics. 2019 Q3 data are based on latest available data.

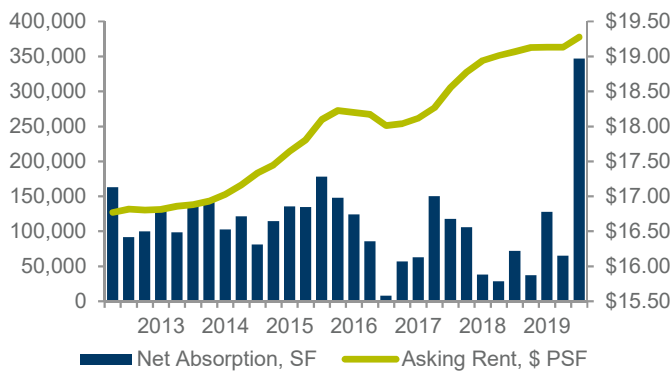
Market Indicators (Overall, All Classes)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	6.6%	5.8%	■
Net Absorption (sf)	131k	1.2M	▼
Under Construction (sf)	1.4M	373k	▼
Average Asking Rent*	\$19.40	\$19.67	▲

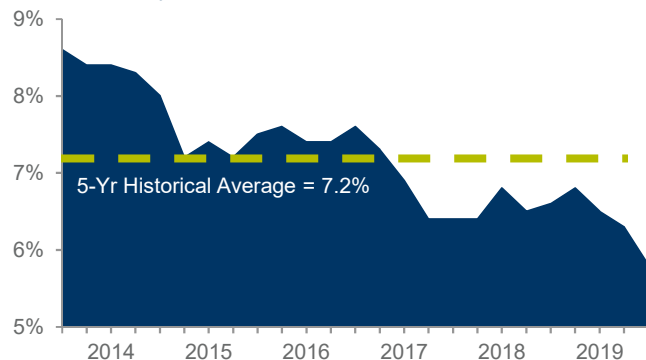
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Federal Reserve Bank cut interest rates by a quarter of a percentage point, citing concerns over slowing economic growth and the risk of a recession. In Richmond, the regional economy posted steady job growth as the unemployment rate remains near cyclical lows, at 3.0%. Employment increased by 6,700 jobs over the past 12 months, near the average pace of 6,900.

Several economic announcements during the quarter will contribute to future employment growth in the Richmond area. Alphasonics USA, a UK-based medical device company, will locate a sales office in Henrico County. Amazon also plans to open a new fulfillment and delivery facility in the city.

Market Overview

Market activity accelerated during the third quarter, lowering the vacancy rate by 80 basis points (bps) from the prior year. In a comparison of office markets with the lowest vacancy rates, CoStar ranked Richmond as the fifth lowest in the nation. Limited available space prompted several new developments to break ground during the quarter, but the majority remain medical office or build-to-suit, such as the Westhampton School and Kinsale headquarters in the West End. Dominion Energy's 960,000 square foot (sf) downtown tower delivered during the quarter, adding a new modern high-rise to the Richmond skyline.

Several notable transactions occurred in the quarter. Atlantic Union Bank leased one of the largest available blocks of space, signing on to lease the entire 69,620-sf building at 4300 Cox Road. Carmax announced plans to accommodate the company's growing needs and efforts to attract talent by leasing 80,000 sf in the Putney Building. The office space is a part of The Sauer Center Development, a mixed-use development near Scott's Addition. The Virginia Economic Development Partnership also expanded by 30,377 sf downtown in the James Center.

Outlook

With limited availabilities, landlords are expected to stay firm on rental rates and help drive rates higher in the near term. Coworking concepts continue to seek more space in Richmond in order to provide a flexible lease alternative for tenants. The flight to quality will only increase competition for well located space with high-end amenities to help attract and retain talent in a competitive job market.

MARKETBEAT

Richmond, VA

Office Q3 2019



SUBMARKET	INVENTORY (SF)*	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)*	UNDER CNSTR (SF)	AVERAGE ASKING RENT (ALL CLASSES)**	OVERALL AVERAGE ASKING RENT (CLASS A)***
CBD	11,068,185	22,005	695,296	6.5%	943,688	910,062	216,290	0	\$22.89	\$26.18
East End	374,384	0	17,550	4.7%	0	-1,550	0	0	N/A	N/A
Far West End	858,237	0	39,275	4.6%	13,586	18,634	5,790	60,000	\$19.97	\$24.35
Glenside/Broad St	5,246,614	41,479	284,422	6.2%	34,907	-1,004	217,052	0	\$19.54	\$20.33
Hull Street Corridor	1,275,667	0	21,383	1.7%	12,585	33,830	44,631	0	\$10.95	N/A
I-95 N/Ashland	456,924	0	26,685	5.8%	4,904	4,089	9,240	0	\$14.19	N/A
I-95 N/Chamberlayne	226,644	0	20,275	8.9%	988	3,188	2,888	0	\$13.86	N/A
Innsbrook	7,746,091	44,870	547,955	7.7%	103,650	11,346	197,856	0	\$21.01	\$21.13
Iron Bridge Corridor	1,573,329	0	113,141	7.2%	1,800	-3,937	502	0	\$16.63	\$16.17
Lakeside	124,239	0	3,904	3.1%	0	2,135	1,522	28,500	\$9.82	N/A
Manchester	1,143,601	0	13,225	1.2%	-3,772	-3,772	10,919	0	\$17.43	N/A
Mechanicsville	941,616	7,675	60,745	7.3%	6,856	5,486	13,158	10,000	\$14.93	\$24.50
Midlothian Corridor	5,150,289	0	282,161	5.5%	9,705	-33,478	218,502	0	\$17.26	\$17.93
Monroe Ward	1,781,570	3,688	101,641	5.9%	-40,414	-53,820	25,939	25,000	\$15.70	N/A
Near West End	1,324,526	0	52,892	4.0%	13,576	164,390	63,425	17,000	\$23.45	N/A
North Broad	3,175,862	0	54,350	1.7%	9,850	160,740	21,668	0	\$21.32	\$22.00
Northside	161,807	0	87,290	53.9%	0	209	0	0	\$10.35	N/A
Parham East	2,604,843	0	80,230	3.1%	1,864	-22,088	20,885	0	\$17.27	N/A
Parham South	893,091	0	144,348	16.2%	11,161	13,727	28,254	0	\$14.93	N/A
Rt 288 Corridor	1,399,967	7,386	161,718	12.1%	-13,575	23,611	12,861	30,000	\$18.68	\$21.98
Shockoe Bottom	1,545,737	2,731	2,292	0.3%	11,130	12,297	16,153	0	\$17.42	N/A
Stony Point/Huguenot	1,125,321	24,768	112,902	12.2%	-3,426	-16,815	8,003	0	\$20.78	\$20.51
West Creek	1,801,383	0	5,202	0.3%	0	0	0	0	\$24.50	\$24.50
West End	3,194,980	0	107,928	3.4%	44,656	35,743	108,457	202,325	\$18.18	\$23.01
Richmond, VA Totals	53,194,907	154,602	3,036,810	5.8%	1,163,719	1,263,023	1,050,950	372,825	\$19.67	\$22.31

*Leasing activity includes renewals **Only includes properties 10,000 SF and larger ***Rental rates reflect asking \$sf/year

SUMMARY BY CLASS	INVENTORY (SF)*	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)*	UNDER CNSTR (SF)	AVERAGE ASKING RENT (ALL CLASSES)**	AVERAGE ASKING RENT***
Class A	21,390,745	134,967	1,324,965	6.8%	1,164,980	516,104	595,895	292,325	\$22.31	\$22.45
Class B	27,379,596	16,904	1,494,146	5.5%	-33,500	54,009	569,872	80,500	\$17.88	\$17.88
Class C	6,424,566	2,731	217,699	3.4%	32,239	23,725	78,228	0	\$17.71	\$17.71

Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Putney Building	80,000	CarMax	New	Near West End
4300 Cox Rd	69,618	Atlantic Union Bank	New	Innsbrook
901 E Cary St	30,377	Virginia Economic Development Partnership	Expansion	CBD

Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
7110 Forest Ave	30,722	Glen Forest Richmond LLC / 7110 Partners	\$3.9M / \$127	Glenside/Broad St
8131 Virginia Pine Ct	21,000	Tate Engineering / Metal Fastening Systems	\$1.4M / \$68	Iron Bridge Corridor
1600 Forest Ave	13,464	Atlantic Union Bank / TBL Networks	\$2.3M / \$171	Glenside/Broad St
7041 Lee Park Rd	11,224	7041 Lee Park Rd LLC / Stephen Ballard & Michael Leary	\$1.4M / \$120	Mechanicsville

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